

IN THE MATTER OF FACT-FINDING

BETWEEN

Cedar Rapids Association of
Professional Firefighters,
Local #11

And

City of Cedar Rapids

Kim Hoogeveen, Ph.D.
Fact-Finder

Issued: February 25, 2005

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APPEARANCES:

For the Union:

Rick Scofield - Spokesperson

JuneAnne Gaeta - Witness

For the Employer (City):

Randy Helt -- Spokesperson

Mike Shoger - Witness

Tracy Norman - Witness

Casey Drew- Witness

Brad Brenneman - Witness

Mark English - Witness

STATEMENT OF JURISDICTION

This matter proceeded to a fact-finding hearing pursuant to the statutory impasse procedures established in the Public Employment Relations Act, Chapter 20, Code of Iowa. The undersigned was selected to serve as Fact-Finder from a list furnished to the parties by the Iowa Public Employment Relations Board.

The fact-finding hearing was convened at 9:30 a.m. on February 14, 2005 in the Cedar Rapids Central Fire Station. The parties agreed that there was no dispute as to negotiability of the issues at impasse or the jurisdiction of the Fact-Finder. It was agreed by the parties that the Union would present their case first, with the City to follow, and opportunity for both parties to subsequently rebut. The parties had mutually agreed prior to the hearing to wave all statutory deadlines related to possible subsequent impasse procedures so as to assure the Fact-Finder a full fifteen (15) days in which to render a recommendation.

Both parties were provided a full opportunity to present exhibits, evidence, and arguments in support of their respective positions. The fact-finding recommendations below are made on the basis of the evidence, facts, and arguments presented by the parties.

ITEMS AT IMPASSE

I. Sick Leave

The parties agree that current policy and past practice of the fire department has been to require any firefighter who has been absent from work for two weeks or more, due to a non-work related illness or injury, to submit to a fit-for-duty medical assessment prior to being allowed to return to work. This assessment, conducted by a local group of occupational health physicians under contract to the City, is completed after the employee's personal physician has cleared them to return to work. A former fire chief instituted this policy in 1989; there is presently no language in the contract that addresses

this issue. No other classification of city employee is required to submit to such an assessment, including the police.

Neither of the parties provided an assessment protocol showing the specific components of this fit-for-duty/physical fitness evaluation, but some testimony was provided regarding its nature. Although more medically focused than the physical skill based assessment that is conducted by the fire department itself as a part of the initial screening procedure for applicants, it integrates criterion based assessments on tasks similar to those required of firefighters. The assessment protocol, however, is standardized, i.e., it is apparently not targeted or individualized in any manner to evaluate the specific injury or illness that caused the employee to be absent.

A witness for the City reported that she was aware of five instances where the occupational health physician did not subsequently clear an individual to return to work who had been cleared by their personal physician. Although no specific testimony was given, the Union suggested that there had also been instances where a firefighter was cleared by a City-contracted occupational health physician to return to work, perhaps after an on-the-job injury, and was subsequently deemed by management to not be fit-for-duty.

Finally, it has been the City's practice to require the employee to continue to use sick leave until such time as the City-contracted occupational health physician has cleared them to return to work.

Position of the Union: The Union's proposed language would allow the City to require the employee to see a City-contracted physician, but it would preclude the use of physical fitness testing, i.e., "the employee shall not be required to take any physical fitness testing to return to work." The Union's proposed language also stipulates that the employee's use of sick leave would stop at such time as their personal physician cleared them for return to work.

Position of the City: The City is proposing new language for the contract that would continue the current practice of requiring employees in this situation to take and pass a physical fitness test administered by a City-contracted occupational health physician before they can return to work. The City also wants to continue the current practice of requiring the employee use sick leave until such time as the City-contracted physician clears them for return to work.

II. Health Insurance

The City of Cedar Rapids has been self-insured for health and major medical coverage since 1992. Over the past few years, the trust has been experiencing a substantial loss, i.e., more benefits and costs are being paid out of the trust than revenue coming in from combination of City and employee contributions. Significantly, the City has had a waiver from the appropriate Iowa Insurance Division that has allowed Cedar Rapids to self-insure without having to purchase either specific or aggregate stop loss coverage.

According to testimony provided, this unusual dispensation to not require the purchase of reinsurance was due to the very healthy financial condition of the Cedar Rapids health insurance trust in the early to mid 90's. Given a recent precipitous fall in the trust fund balance, the City reports this waiver to now be on tenuous footing. In short, if the City is not successful in quickly reversing the downward trend in the trust fund balance, they will no longer be eligible for such a waiver. Representatives for the City testified that recently received bids indicate that the cost of a specific stop loss of \$100,000 would be approximately \$1,000,000. Although the Fact-Finder inquired early in the hearing, the City did not present information regarding how many of the covered individuals within the plan last year had cost exceeding \$100,000 or what payments were made from the medical trust fund in behalf of such individuals. Without knowing this figure, it is impossible to determine what the actual net cost would have been had the City had stop loss insurance in place last year, or for that matter any other year. In short, it is wrong to conclude that having to secure such insurance would add an additional \$1,000,000 in net cost, but it is probably reasonable to assume that it would add some additional net cost, i.e., insurance companies are not in the business of issuing stop loss policies for the purpose of charitably subsidizing health plans.

Position of the Union: The Union is proposing no change in the current health insurance, i.e., single/family deductible \$100/\$100; single/family out-of-pocket maximums \$500/\$500; and single/family employee monthly contribution rates remaining at \$10/\$20.

Position of the City: The City is requesting the following changes in the health insurance section of the contract: increase single/family deductible from current \$100/\$100 to \$200/\$400; increase single/family out-of-pocket maximum from current \$500/\$500 to \$750/\$1500; and increase single/family employee monthly contribution from current \$10/\$20 to \$20/\$40.

III. Wages

Position of the Union: The Union is proposing a 4% across-the-board wage increase. In addition, the Union is proposing that one additional step be added to the wage schedule. This additional step would occur after 18 years of service and provide eligible employees with an additional 7% pay increase.

Position of the City: The City is proposing a 2% across-the-board wage increase.

ANALYSIS & RECOMMENDATIONS

Given that the City is not arguing an inability to pay, it is reasonable to give substantial weight to comparability when examining the positions of the parties and seeking the best possible recommendations.

First a comment about the exhibits presented at the fact-finding hearing. It is helpful when the parties, as is the case here, have mutually agreed to a fair and equitable comparison group. In this case the parties have used firefighters in seven other Iowa cities. It is not helpful, however, when the parties present exhibits that show conflicting

information regarding wage and benefits paid in those comparison cities; reasoned analysis becomes more challenging when basic facts are in doubt. Numerous such inconsistencies were noted, some of them perhaps typographical in nature and possibly due to poor proofing. In no instance do I suspect that either party had any intent to mislead, but following are just a few of the examples: the family contribution rate for health insurance in Council Bluffs - \$24 (Union #4) or \$43 (City #14); family deductible in Sioux City - \$300 (Union #5) or \$350 (City #8); does Waterloo really start a firefighter (paramedic) at \$45,143 (City #28); and just try making sense simultaneously of Union #14 and City #26 – the Union claims that #14 shows Top Fire Fighter Pay without longevity and the City reports #26 to be Top Firefighter pay with longevity, yet for Waterloo, Council Bluffs and Davenport the City's exhibit shows a lower salary than does the Union's exhibit. Finally, after rounds of negotiation and mediation, it is disappointing that the two parties presented exhibits at fact-finding that do not even agree on the total cost of proposed, straightforward across-the-board salary increases. Here the Union costs its 4% proposal at \$246,168 and the City costs it at \$250,791. There could well be a simple explanation to account for the \$4,623 difference, e.g., the City may have included some cost the Union did not. This is, however, simple math. To not even offer a clue at the hearing as to why one party would have different numbers is perhaps taking a too casual air that I suggest the parties reexamine.

I could point out other inconsistencies. Fortunately, none of them rises to a magnitude such that it will inhibit the making of what I believe to be reasonable recommendations on all three outstanding issues. If, however, the parties do elect to proceed through the impasse process, I would urge an exchange of all data-based exhibits prior to an arbitration hearing so as to assure time for each to check the accuracy of the other's exhibits and to successfully resolve all conflicting factual information. The Arbitrator will appreciate the effort.

The Union presented the results of a recent survey showing the high regard with which the fire department is held within the City of Cedar Rapids. The data is impressive and there is good reason for the department to feel proud of such feedback. I would point out,

however, that it is not valid to compare the ratings of the fire department with those of other city services. It is possible that the fire departments in most every city would be rated highly by the very nature of their work. Firefighters, for example, don't hand out speeding tickets. Few of us drive to work appreciating the fact that there are few potholes in the road, but boy do we gripe when we hit even one. My point is that some positions are always going to be rated higher, or lower, with respect to public satisfaction just by the nature of what they are charged to do. Valid comparisons can only be made between individuals or groups who are doing the same work in analogous settings. If one workgroup within a city gets a satisfaction rating of 9.1 while the average of its peers around the state is 9.3, and another workgroup receives a rating of 7.2 while the average of its peers is 6.7, which group is really doing better? Again, I wish to emphasize that my comments are not intended to deflect from what is likely an outstanding performance by the fire department in Cedar Rapids. Yet, when taken alone, the survey data presented are useful for trend analysis for a single department, but are not applicable for between group performance comparisons.

The sick leave/fit-for-duty test issue does not have financial impact and will be dealt with first and autonomously. Wages and insurance each have a direct financial impact on the both employees and the employer. As such, although portions of the analysis can be distinct, the issue of total compensation will require a concurrent consideration of wages and benefits.

Sick Leave

Neither party did a great job explaining the specific nature of the physical fitness assessment conducted by the City-contracted occupational health physician, e.g., it would have been helpful had they provided an assessment protocol so that I could have more clearly seen the extent and nature of the assessment. Presented testimony indicated that the evaluation is functional in nature and based on an understanding of the duties required of a firefighter. Nevertheless, it is a medical evaluation and less directly functional than the physical capabilities assessment conducted by the fire department. Examples

mentioned at the hearing included testing cardiovascular function before and after exertion, including pulse rate and blood pressure.

I can understand the Union's concern regarding the requirement that employees pass this additional medical evaluation as a condition of retaining their employment. For example, if an employee needed to miss three weeks of work as a result of a broken wrist, it seems odd that his or her job could be put in jeopardy as a result of a blood pressure reading that might well be lower than 20% of his or her colleagues working in the fire station that same afternoon.

The City's primary argument in favor of retaining this procedure was that they believe it makes a significant contribution to the safety of both other firefighters and the public. Some facts, however, seem to be at odds with the City's argument regarding safety and the mitigation of potential liability: 1) it is hard to believe that the City has more interest in the safety of the firefighters than do the firefighters, 2) the City did not refute the Union's testimony that no other city in the state of Iowa has such a requirement for firefighters, 3) the City does not require this supposedly important physical fitness assessment to be completed either by new applicants or by all current firefighters on a regular basis, and 4) the City does not have a similar requirement for police officers or any other category of City employee.

This policy was never negotiated at the bargaining table; it was imposed by management fiat – the motivation for which I am somewhat dubious. Additionally, the City's practice of requiring the employee to continue to use their own sick leave (even if minimal as described by the City) as the employee is required to complete this additional City-imposed medical clearance step after their personal physician has cleared them for return to work, is difficult to defend.

Current language in the contract would appear to still allow the City to have an employee see a City-contracted physician to confirm that the specific injury or illness has been appropriately ameliorated so as to allow the employee to safely return to work, but it is

not appropriate to use what should be a more focused medical review to conduct a general physical fitness assessment. The cost for all such City requested evaluations is appropriately on the City, and likewise, the employee should not suffer any additional loss of sick leave. In short, the Union has the better of the argument in this case. The City can show no comparability (within the City or with other fire departments around the state) and has been administering this practice in a questionable manner to date. The Union's position on this issue is my clear and unambiguous recommendation.

Insurance

Due to an initial healthy balance in the City's self-insured medical trust, coupled with reasonably stable trust expenditures for medical services, the City was able to avoid increasing the amount of their premium contributions to the trust for several years in the late 1990's. Over the past few years, however, medical expenses paid out of the trust fund have increased significantly. Although the City began increasing the amount of their premium payments into the medical trust in FY01, the trust balance has nevertheless shown a steady, and most recently steep, decline. The math here is straightforward: over the past three fiscal years the trust balance has fallen by over \$2.75 million even while annual premium payments have increased from \$7.1 million to \$9 million. For example, in FY04 alone, despite the City increasing the premium payments into the trust by 20%, the expenses paid out of the trust still exceeded income by more than \$1.35 million – an amount that represents more than a 20% reduction of the FY03 trust balance.

City employees are represented by a variety of bargaining groups affiliated with numerous unions. It appears that the City has been striving to increase any or all of the following three variables in all of their negotiations with the variety of bargaining groups: employee contributions, out-of-pocket maximums, and deductibles. It is significant to note that the City has already decided to increase the monthly contribution of the non-bargaining employees from \$15/\$30 to \$22.50/\$45 for next year. In this specific negotiation, if the City's proposal to double the current single/family contribution rates of \$10/\$20 to \$20/\$40 per month was enacted, it would result in an approximate \$30,000 annual increase in total employee contributions to the health insurance trust.

The City did not provide specific projections as to how much savings would accrue to the medical trust fund by increasing the deductible or out-of-pocket maximum by any particular amount. Obviously, such a change will not increase revenue into the trust, but it will decrease outflow. For rough calculations, we can assume that for every \$100 increase in the deductible, given roughly 130 employees having coverage within this bargaining unit, the savings to the insurance trust could be up to \$13,000. There will be less savings for the trust as a result of any increase in the maximum out-of-pocket, as many more individuals will meet their deductible than will reach the maximum out-of-pocket in any given year.

The parties spent a considerable amount of time going over the specific cost analysis of the current health insurance program. Although helpful to the Fact-Finder, it is not necessary to repeat all of the data in this decision as the two parties were largely in agreement on the facts. The question is what to do with the facts – not what they are. On the macro level, the picture is fairly clear. The City has seen a rapid increase in expenditures out of their self-funded health insurance trust. This is likely due to a combination of factors, quite possibly including a relatively high medical inflation rate, a somewhat older pool of “eligibles” being covered (particularly retirees – with a high percentage of this group coming from the ranks of police and firefighters and where expenses are high due to adverse selection), and perhaps bad luck. In this otherwise dismal picture, it is nice to note some good news, i.e., testimony provided by the City indicated that the 22% increase in medical trust expenses projected for this current fiscal year appears to be higher than what the City has experienced to date. If the current expenditure rate holds, this year’s increase in medical expenses from the trust will be near 11%, i.e., roughly half of what the City projected as shown in City exhibit #3.

The parties presented dueling exhibits to show the potential net impact of an increase in employee contribution, deductibles, and maximum out-of-pocket. Union exhibits #9 & #10 show worst-case scenarios (i.e., employees who have high enough medical bills to hit the out-of-pocket maximum proposed by the City) and City exhibit #42 oddly ignores

altogether the cost implications for the employee of the City's proposed increase in deductible and maximum out-of-pocket. In response to the Union's concern that the combination of changes requested by the City could result in a small net reduction in annual total income for an employee, it is worth noting that such an employee would have disproportionably benefited from the health insurance trust that is overwhelmingly funded by the taxpayers of Cedar Rapids. If an employee had a \$25,000 medical expense largely paid for by the health trust, for example, I doubt many would be concerned that their \$47,000 salary may have netted out with a \$200 decrease for that year after paying the City's proposed \$1,500 maximum out-of-pocket.

One interesting inconsistency: the Union ignores the increased cost of pension and insurance when costing their request in Union exhibit #23. Yet with exhibits #9 and #10, the Union emphasizes the impact of any increase in insurance cost for the employee. If we are going to consider the impact of increasing costs on one of the parties, it seems we should consider the impact on both.

The Union commented that the spike in the health insurance costs are, at least in part, occurring now because the City chose to not increase funding into the medical health trust during the latter part of last decade. Although correct that the City held contribution rates steady from FY95 through FY00, a review of the health trust income and expenses suggests that the trust remained stable and healthy until a significant downward trend started in FY01 – a trend that was almost exclusively due to an increase in medical expenses. The City began increasing premium payments into the trust at that time and has continued to do so, but those increases, even the 20% for FY04 (note employees contributed roughly 10% of this premium increase by agreeing with a fact-finding recommendation to increase their monthly single/family contribution from \$5/\$10 to \$10/\$20), have not kept up with the increase in medical expenses being paid out. Parenthetically, I suspect that if the City had suggested increasing payments to the health insurance trust in FY98, and accordingly reducing wage increases, the Union may not have been the first in line to support that proposal.

When considering an increase in the maximum out-of-pocket, it is a somewhat different calculation than it is for an increase in employee monthly contribution or deductible. In the case of the latter two variables, we could be (although admittedly this will be a rare instance) increasing an expense for an employee who may derive relatively little benefit, i.e., an employee who makes little use of the health plan will nevertheless be paying the higher monthly contribution rate and the increased deductible. But raising the maximum out-of-pocket will only impact those who are deriving considerable benefit from the plan, e.g., if the maximum out-of-pocket was increased to \$1,100, an employee would use \$9,000 from the insurance trust before they have to pay the full out-of-pocket (\$100 deductible and 90/10 split after that). It is also worth noting here that the health plan in Cedar Rapids also allows all drug costs to count toward the out-of-pocket maximum – a practice that the City reports few of the other health plans in the comparison group to follow. Given that much of the increased cost to the medical trust fund is coming from retirees (many from the ranks of firefighters and police) who are annually taking out thousands of dollars more than they are paying in, it seems a relatively high maximum out-of-pocket would be reasonably justified at least for that particular population.

The Union entered into evidence an excerpt from a 2003 fact-finding where the Fact-Finder recommended the City's proposed increase in employee contribution toward health insurance (which the Union reports it subsequently accepted) with the following statement: "The increase in the contribution will mitigate against future increases of greater magnitude should premiums continue to rise." The Union seems to read this as suggesting that the Fact-Finder was somehow saying that no further increases in the employee's contributions should soon be forthcoming. Even if the 2003 Fact-Finder's comments were somehow dispositive, which they obviously are not, I do not read the statement as precluding an additional increase in employee contributions. The Fact-Finder simply points out that by accepting a moderate increase at that time the Union could avoid even larger increases "of greater magnitude" at a later date...and of course, the Fact-Finder could have hardly then anticipated the sequential 20% and 30% cost increases the trust has subsequently experienced.

The current structure of the contract for this unit would seem to favor those electing to take family insurance coverage – not surprising given that roughly 90% of the employees in this unit take family coverage. A deductible of only \$100 for family coverage is becoming more and more unusual, e.g., within the comparison group, only one of seven cities (Iowa City) had a family deductible as low as this unit. In contrast, three of the other seven cities have a \$100 deductible for single coverage. Both in terms of comparability and equity, a good argument can be made for differentiating the deductible between family and single health coverage – a practice that is commonly found, including in six of the seven cities in the comparison group.

With respect to health insurance, a partnership between the Union and the City should exist, as each has an interest in securing the greatest possible bang for every dollar expended. Yet to state the obvious, it is the employees, and not the City, who benefit from health insurance, and as such employees must be prepared to assume a portion of the risk and to share in at least a fraction of the increased cost. As health insurance costs continue to rise, employees have no reason to expect that their partner will bear 100% of cost increases while they retain all the benefits. The collective bargaining process should not be used to shield employees from an obligation to fund an equitable portion of the benefits they enjoy.

Considering all of the above and all comparability data presented at the hearing, **it is my recommendation that the single/family deductible be changed to \$100/\$300; the single/family maximum out-of-pocket be changed to \$500/\$1000; and the single/family employee contribution rates be increased to \$15/\$30.** This represents a reasonable increase in the total amount of dollars the employees of this group will contribute toward the restoration of a more solvent medical health trust fund. An additional \$15,000 will come from the single/family \$5/\$10 per month increase in the employee contribution, while the \$200 increase in the family deductible and \$500 increase in the family maximum out-of-pocket will help to improve the ongoing stability of the trust fund by lowering expenses – perhaps by as much as \$20,000 to \$30,000 per year. Going forward, this recommended increase in the deductibles and maximum out-

of-pocket amounts for family plans to a level comparable with other cities will help to mitigate future premium increases – a benefit to both parties.

Even after the recommended additional \$120/year increase in employee contributions to a family health insurance plan, the City will be paying 96.7% of the health insurance premium cost for family coverage. Although a potential maximum increase of \$700 in medical expenses for an employee with family insurance is clearly significant, it is also true that after the recommended increase in medical contribution rate to \$15/\$30, it will still leave the City increasing their premium costs for next year at a whopping \$343,700. This insurance cost increase alone represents a total compensation increase of 3.6% even before we next address wages.

Wages

Each of the parties spent a fair amount of time discussing the cost of the State-mandated pension program that the City provides for the members of this bargaining unit as well as other eligible city employees. In short, because of the poor returns in the pension portfolio between 2000 and 2003, state law requires that the City increase their contribution to make up for that shortfall in investment return. In order to spread out the impact of such shortfalls, cities are assessed the additional required funding over a period of four years. When there are successive years of shortfall, however, this compounds and makes the required City contributions increasingly burdensome. The result is that the City of Cedar Rapids will next year be contributing 28.21% of each eligible employee's salary to the pension program. This remarkably high figure is substantially higher than the 17% that the City was contributing just four years ago, and up from the already high 24.92% being paid this current contract year. The result is that even if no wage increase occurs next year, the City would still be obligated to pay an amount equivalent to a 2.63% wage increase due to just the increase in pension cost. This represents a \$1,525 increase in the average employee's pension contribution to be made by the City. The Union did present hopeful testimony that showed this funding burden is likely to decrease over the next few years as the early 2000 shortfalls are addressed and the City enjoys the beneficial impact of a strong pension portfolio return in 2004.

It appears that one sector of government (the State) has mandated a generous pension program with a costly funding mechanism that another governmental sector (the cities) must somehow find a way to fund. It seems analogous to someone who presents a terrific gift (likely taking full credit for doing so) and then quietly passes the bill onto someone else. Of course, it would be tempting for some politicians to take the plaudits from those who benefit from such a generous program (e.g., mandating a 7.5% annual return in the fund so as to be able to fund a 55-year old retiree with as much of 82% of income for life), particularly if one can shift the responsibility for funding to another political entity. The gambit is to get credit for a mandate that others must execute, and legislation at the State level likely becomes quite easy when the nagging issue of paying for it is left to the cities. As such, I can certainly understand the City's frustration.

The kind of defined benefit program in which the members of this Union are enrolled has practically vanished in the private sector. One hopes that employees appreciate the nature of this pension program and recognize just how much more an individual would have to earn in the private sector to create the kind of wealth that could guarantee them the lifetime benefit levels that their current pension program will provide at retirement – and often an early retirement at that.

It is reasonable that the City ask that the cost of the pension be considered when determining a recommendation for an appropriate total package settlement – it is a hard cost and a significant one – although the cost figures on City exhibits #15 and #20 are incorrect as confirmed with the City and communicated to the Union subsequent to the close of the hearing via telephone. The actual increased cost of the pension with no wage increase would be \$206,000. With the City proposed 2% wage increase the cost of the pension would increase by \$242,000. With the Union proposed 4% wage increase the pension cost would increase \$277,000.

The increased cost of the pension program is not, however, a key consideration with respect to comparability with settlements reached in other cities, as all cities in the

comparison group will be facing a similar burden in regard to the pension cost increase. Although it is reasonable for the City to ask that I consider the increased cost of the pension when determining the total cost of any settlement that I recommend, I would warn the City that this could be a double-edged sword. If and when the pension costs start to subside, as they likely will in subsequent years, the City must then be willing to add pension costs savings back into any subsequent settlements. In other words, the City cannot cost the increases this year without also costing any subsequent decreases back into future settlements. Given that I am skeptical that this will happen and that all cities in the comparison group are similarly impacted by the pension funding requirements, I have not given the increase in pension costs as much weight as the increase in insurance costs in this analysis. So, although I found the pension discussion to be the most interesting portion of the hearing, I also believe it to be a somewhat less determinative of an appropriate total settlement package.

With respect to wages, I will start by addressing the Union's proposal for an additional step on the salary scale. Mitigating against the proposal is the almost non-existent turnover in this bargaining unit – obviously any deficit in top end wages is not resulting in loss of employees. There is, however, some reasonable ground for consideration of some version of the Union's proposal, i.e., when looking at the comparison group, the compensation provided to employees of this bargaining unit is fairly strong in the early years and is not as competitive at the top of the schedule. This should be the basis for the Union's proposal – clear and simple. Instead, the Union focused on making a comparison to other City employees, particularly the police. This is not a strong argument – one the Union would do well to drop in the future. Secondly, it is hard to give a proposal serious consideration when the party making the proposal does not even bother to calculate the cost. If the Union wants to pursue the idea in the future (and I believe it has some merit on the basis of comparability data), then they must do their homework. The City did present testimony regarding the cost of the Union's proposal, although they followed a somewhat torturous path to present what could have been conveyed with a single descriptive sentence, i.e., "The additional cost of the Union's proposal for an additional 7% step, above and beyond the cost of an X% across-the-board

wage increase, would be \$Y.” Given 58 of the 133 members of this unit would reportedly be eligible for this new step, a reasonable estimate of the total cost would be north of \$250,000 including the additional pension payments such raises would generate.

Coupled with the Union’s 4% wage increase proposal, which itself is near \$250,000 in cost, this puts the Union so far out of the realm of reason that it is not worthy of serious consideration. Finally, if a party wants to make such a shift in the allocation of wages, it often must be prepared to see other changes in the existing schedule, e.g., a freeze for a year on the entry salary and other steps. (Note here, however, that the City is correct when it points out that firefighters in Cedar Rapids reach the top of their schedule in a fairly quick three years. Given it takes longer in many of the comparison cities, it is possible that firefighters in Cedar Rapids are earning more than their counterparts for a good number of years – but no information was presented that could allow one to make this determination.) In short, it is not a serious proposal when you ask for a high base settlement and then tack on a request for another 7% raise for 45% of the unit, seemingly as an afterthought.

The City is correct to note that the members of this bargaining unit have a 53-hour workweek. Two cities in the comparison group also have a 53-hour workweek, with the remaining five cities having 56-hour workweeks. This difference results in an additional 156 hours of work per year for those on the longer workweek, or 5.7% more work hours. When it comes to wages, the Union correctly views even a fraction of a percent as being significant. If 2% is to be considered significant in the context of compensation, I suggest that almost 6% must be worthy of consideration in the context of total hours worked. As such, I believe the City’s approach of comparing hourly wages to be more reasonable than the Union’s approach of looking only at annual salaries.

In general, employees within this bargaining group in Cedar Rapids would appear to be paid at rates that are near the average of the comparison group for most of the positions included in the exhibits supplied by both parties. (Note that the Union’s exhibits do not show this to be the case, however, this is largely due to their use of annualized salaries rather than the hourly compensation rates shown by the City.) It then becomes important

to examine what other bargaining units have settled for with respect to wage increases. Here the parties provide limited information. The Union presented no comparison data while the City introduced testimony and exhibits showing settlement information for two of the other unions that negotiate with the City and for firefighters from four of the seven comparison cities, three of which, however, are not negotiating this year as a result of multi-year contracts. Other unions negotiating with the City have settled at or near a 2.7% wage increase with changes in health insurance. Other cities having multi-year agreements will be increasing wages for firefighters from 2.5% to 3.5%, and Des Moines has this year settled on a three-year contract calling for a 3.25% wage increase and substantial health insurance changes.

When considering total package costs, the Union properly points out that a sick leave buy back provision in the current contract has been found to be permissive and will be removed from the upcoming contract – at a collective cost to employees of roughly \$33,000 and a corresponding savings for the City. Giving some consideration to this factor, combined with the changes I have recommended in health insurance, the increase in pension costs, an examination of external comparisons, and other union settlements with the City, I **recommend an across the board wage increase of 3%.**

Cost Analysis

Again, the Union did minimal costing of various proposals and City exhibit #20 is in error with respect to the increased cost of the pension: the correct pension cost increase for a 3% across the board wage increase would be \$259,337. The package herein recommended would cost the City an additional \$188,000 for wages; \$344,000 for insurance; and \$260,000 for the pension. The total increase in cost of \$792,000 results in a total package cost of 8.35%. If we do the cost analysis without considering the pension cost increase, it becomes a package of approximately 6.7% (total cost of wage and insurance increase of \$531,821 divided into the current cost of wages and insurance - approximately \$7,917,000). Finally, some may wish to also subtract the \$33,000 savings that will accrue to the City as a result of the elimination of the sick leave buy back provision – a consideration that would lower the package costs by roughly another .35%.

Looking at these corrected numbers, the Union may be tempted to point out that the total cost of this recommended package is actually less than what the City projected it would cost to fund their fact-finding position of a 2% wage increase. Interesting, but irrelevant to what would be a reasonable settlement. I believe the combination of reasonable changes in the health plan, an across the board wage increase slightly above internal or external settlement trends, and the elimination of the fit-for-duty assessment more than offsets any gain that could be had by pointing out corrections in costing formulas.

SUMMARY

Recommendation on Sick Leave

Include the language proposed by the Union in the new collective bargaining agreement.

Recommendation on Insurance

Change the single/family deductible to \$100/\$300; change the single/family maximum out-of-pocket to \$500/\$1000; and increase the single/family employee contribution rates to \$15/\$30.

Recommendation on Wages

An across the board wage increase of 3%.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Kim Hoogeveen", is written over a horizontal line.

Kim Hoogeveen, Ph.D.
Fact-Finder
6404 North 70th Plaza
Omaha, NE 68104

CERTIFICATE OF SERVICE

I certify that on the 25th day of February, 2005, I served the forgoing fact-finding recommendation upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Mr. Rick Scofield
2885 24th Avenue
Marion, Iowa 52302-1304

Mr. Randy Helt
51 First Avenue Bridge
Cedar Rapids, Iowa 52401-1132

I further certify that on the 25th day of February, 2005, I will submit this recommendation for filing by mailing it to the Iowa Public Employment Relations Board, 510 East 12th Street, Suite 1B, Des Moines, Iowa 50319-0203.


Kim Hoogeveen, Fact-Finder